

AMENDED IN ASSEMBLY APRIL 15, 1999

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

ASSEMBLY BILL

No. 24

**Introduced by Assembly Members ~~Maddox, Bates, and~~
Member Runner
(Coauthor: Assembly Member Maddox)**

December 7, 1998

An act to amend ~~Section 41204.1 of the Education Code, and to add Section 97.52 to Sections 19604 and 23182 of, and to add Section 19606 to, the Revenue and Taxation Code, relating to local government, and making an appropriation therefor.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 24, as amended, ~~Maddox~~ Runner. Local fiscal relief: ~~property tax revenue allocation subventions to local governments.~~

The Bank and Corporation Tax Law provides, for income years ending on or after December 31, 1995, that the rate of tax on banks and financial corporations shall be the rate as provided by a specified statute, plus 2%. It requires revenues derived under the Bank and Corporation Tax Law to be deposited in the Bank and Corporation Tax Fund.

This bill would, as provided, require the Franchise Tax Board to determine those amounts of revenues that are attributable to the supplemental 2% rate of tax, and to notify the Controller of those amounts for transfer from the Bank and Corporation Tax Fund to the Financial Aid to Local Agencies Fund, which is created by this bill as a continuously

appropriated fund. This bill would require moneys in this new fund to be allocated among cities, counties, and cities and counties in accordance with a formula to be established by the Legislature.

The Bank and Corporation Tax Law provides that the tax imposed under that law on banks and financial corporations is in lieu of all other taxes upon those entities, except for certain specified exactions.

This bill would, for income years beginning on or after January 1, 1999, include within those specified exactions any nondiscriminatory parcel tax that is applied at a uniform rate and is imposed in compliance with a specified voter approval requirement.

~~Existing property tax law requires the county auditor, in each fiscal year, to allocate property tax revenues to local jurisdictions in accordance with specified formulas and procedures, and generally requires that each jurisdiction be allocated an amount equal to the total of the amount of revenue allocated to that jurisdiction in the prior fiscal year, subject to certain modifications, and that jurisdiction's portion of the annual tax increment, as defined. Existing property tax law reduces the amounts of ad valorem property tax revenues that would otherwise be annually allocated to the county, cities, and special districts pursuant to these general allocation provisions by requiring, for purposes of determining property tax revenue allocations in each county for the 1992-93 and 1993-94 fiscal years, that the amounts of property tax revenue deemed allocated in the prior fiscal year to the county, cities, and special districts be reduced in accordance with certain formulas. It requires that the revenues not allocated to the county, cities, and special districts as a result of these reductions be transferred to the Educational Revenue Augmentation Fund (ERAF) in that county for allocation to school districts, community college districts, and the county office of education.~~

~~This bill would, except as otherwise provided with respect to amounts attributable to community colleges, prohibit a county auditor, for the 1999-2000 fiscal year and each fiscal year thereafter, from allocating to that county's ERAF a total amount of ad valorem property tax revenue greater than the~~

~~amount allocated from that fund to school districts and the county office of education for the 1998-99 fiscal year. This bill would require any reductions resulting from these provisions in the amount of revenues deposited in a county's ERAF to be exclusively applied to reduce allocations from that fund to school districts and the county office of education. By imposing new duties in the annual allocation of ad valorem property tax revenues, this bill would impose a state-mandated local program.~~

~~Existing law requires the Director of Finance to make certain adjustments in one of the formulas used in computing the state's obligation under the California Constitution to provide funding for school districts and community college districts so as to ensure that the modifications in property tax revenue allocation requirements that were made by a prior enactment do not have a net fiscal impact on school districts or community college districts, or upon the state's funding obligation to those districts.~~

~~This bill would instead apply the adjustment requirement to modifications in property tax revenue allocation requirements that are made by "qualified provisions," and would define "qualified provisions" to include both the prior enactment currently specified by the adjustment requirement and a specified statute proposed to be added by this bill.~~

~~The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.~~

~~This bill would provide that no reimbursement is required by this act for a specified reason.~~

~~Vote: majority ²/₃. Appropriation: no yes. Fiscal committee: yes. State-mandated local program: yes no.~~

The people of the State of California do enact as follows:

- 1 ~~SECTION 1. Section 41204.1 of the Education Code is~~
- 2 ~~SECTION 1. Section 19604 of the Revenue and~~
- 3 ~~Taxation Code is amended to read:~~

1 19604. (a) Except for fees received for services under
2 Section 23305e, all moneys and remittances received by
3 the Franchise Tax Board as amounts imposed under Part
4 11 (commencing with Section 23001), and related
5 penalties, additions to tax, fees, and interest imposed
6 under this part, shall be deposited in a special fund in the
7 State Treasury, to be designated the Bank and
8 Corporation Tax Fund. The moneys in the fund shall,
9 upon the order of the Controller, be drawn therefrom for
10 the purpose of making refunds under this part or be
11 transferred *either* into the General Fund *or as required*
12 *by Section 19606*. All undelivered refund warrants shall
13 be redeposited into the Bank and Corporation Tax Fund
14 upon receipt by the Controller. Fees received for services
15 under Section 23305e shall be treated as reimbursement
16 of the Franchise Tax Board's costs and shall be deposited
17 into the General Fund.

18 (b) Notwithstanding Section 13340 of the
19 Government Code, all moneys in the Bank and
20 Corporation Tax Fund are hereby continuously
21 appropriated, without regard to fiscal year, to the
22 Franchise Tax Board for purposes of making all payments
23 as provided in this section.

24 *SEC. 2. Section 19606 is added to the Revenue and*
25 *Taxation Code, to read:*

26 *19606. (a) For the 2000–01 fiscal year and each fiscal*
27 *year thereafter, the Franchise Tax Board shall, by the last*
28 *business day in November and in April, determine that*
29 *amount equal to those revenues, net of any refunds made,*
30 *that are attributable to the additional 2 percent tax rate*
31 *specified in Section 23186. The Franchise Tax Board shall*
32 *notify the Controller of each amount that is so*
33 *determined within ____ business days after making*
34 *the relevant determination, and the Controller shall,*
35 *within ____ business days after receiving that notice,*
36 *transfer the noticed amount from the Bank and*
37 *Corporation Tax Fund to the Financial Aid to Local*
38 *Agencies Fund, which is hereby created.*

39 (b) Notwithstanding Section 13340 of the
40 Government Code, all moneys in the Financial Aid to

1 *Local Agencies Fund are hereby continuously*
2 *appropriated, without regard to fiscal years, as follows:*

3 *(1) To the Franchise Tax Board and the Controller for*
4 *reimbursement of all costs incurred by the Franchise Tax*
5 *Board and the Controller in performing their duties*
6 *under this section.*

7 *(2) The balance to the Controller for allocation in*
8 *accordance with subdivision (c) by the 15th day in each*
9 *December and May.*

10 *(c) Those moneys allocated pursuant to paragraph (2)*
11 *of subdivision (b) shall be allocated among the cities,*
12 *counties, and cities and counties in accordance with a*
13 *formula prescribed by the Legislature.*

14 *SEC. 3. Section 23182 of the Revenue and Taxation*
15 *Code is amended to read:*

16 23182. (a) The tax imposed under this part upon
17 banks and financial corporations is in lieu of all other taxes
18 and licenses, state, county and municipal, upon ~~the said~~
19 *those banks and financial corporations except taxes upon*
20 *their real property, nondiscriminatory parcel taxes that*
21 *are applied to parcels at a uniform rate and are imposed*
22 *in compliance with the voter approval requirement of*
23 *Section 4 of Article XIII A of the California Constitution,*
24 *local utility user taxes, sales and use taxes, state energy*
25 *resources surcharge, state emergency telephone users*
26 *surcharge, and motor vehicle and other vehicle*
27 *registration license fees and any other tax or license fee*
28 *imposed by the state upon vehicles, motor vehicles or the*
29 *operation thereof.*

30 ~~The—~~

31 *(b) (1) The changes in this section made by the*
32 *1979–80 Legislature with respect to sales and use taxes*
33 *apply to income years beginning on and after January 1,*
34 *1980, and the remaining changes apply to income years*
35 *beginning on and after January 1, 1981.*

36 *(2) The changes made to this section by the act adding*
37 *this paragraph apply to income years beginning on or*
38 *after January 1, 1999.*

39 ~~amended to read:~~

~~41204.1. (a) (1) Pursuant to paragraph (2) of subdivision (b) of Section 41204, the Director of Finance shall annually adjust “the percentage of General Fund revenues appropriated for school districts and community college districts, respectively, in the 1986-87 fiscal year” for purposes of applying paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution, to reflect those property tax revenue allocation modifications, required by the amendments made to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code by qualifying provisions, as defined in paragraph (2), in a manner that ensures that those modifications will have no net fiscal impact upon the amounts that are otherwise required to be applied by the state for the support of school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution.~~

~~(2) For purposes of this section, “qualifying provisions” means both of the following:~~

~~(A) The amendments made to Sections 97.2 and 97.3 of the Revenue and Taxation Code by Chapter 1111 of the Statutes of 1996.~~

~~(B) Section 97.52 of the Revenue and Taxation Code.~~

~~(b) It is the intent of the Legislature to ensure both of the following:~~

~~(1) That the changes required by the qualifying provisions in the allocations of ad valorem property tax revenues do not have a net fiscal impact upon school districts, as defined in accordance with Section 41302.5, or community college districts.~~

~~(2) That the changes required by the qualifying provisions in the allocations of ad valorem property tax revenues do not have a net fiscal impact upon the amounts of revenue otherwise required to be applied by the state for the support of school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution.~~

~~SEC. 2. Section 97.52 is added to the Revenue and Taxation Code, to read:~~

1 97.52. (a) Notwithstanding any other provision of
2 this chapter, for purposes of ad valorem property tax
3 revenue allocations for the 1999-2000 fiscal year and each
4 fiscal year thereafter, the auditor shall comply with all of
5 the following requirements:

6 (1) The auditor shall not allocate to the county's
7 Educational Revenue Augmentation Fund a total
8 amount of ad valorem property tax revenue that is
9 greater than the sum of the following amounts:

10 (A) An amount of ad valorem property tax revenue
11 that is equal to the amount of revenue that was deposited
12 in the county's Educational Revenue Augmentation
13 Fund, and allocated from that fund to school districts and
14 the county office of education, in the 1998-99 fiscal year.

15 (B) The amount of ad valorem property tax revenue
16 that is attributable in the relevant fiscal year to the
17 amount of ad valorem property tax revenue that was
18 deposited in the county's Educational Revenue
19 Augmentation Fund, and was allocated from that fund to
20 community college districts, in the prior fiscal year.

21 (2) Any amount of revenue not allocated to the
22 county's Educational Revenue Augmentation Fund as a
23 result of the limitation established in subdivision (a) shall
24 be allocated among the county, cities, and special
25 districts, in accordance with each local agency's
26 proportionate share of those revenues that would be
27 required to be allocated to the county's Educational
28 Revenue Augmentation Fund for the relevant fiscal year
29 in the absence of paragraph (1).

30 (b) (1) For the 2000-01 fiscal year and each fiscal year
31 thereafter, the total amount of ad valorem property tax
32 revenue that, in the absence of subdivision (a), is
33 required to be allocated to the county, a city, a special
34 district, or the county's Educational Revenue
35 Augmentation Fund shall be determined without regard
36 to any increase or reduction that was made pursuant to
37 subdivision (a) in the prior fiscal year.

38 (2) Any reduction in the amount of ad valorem
39 property tax revenues deposited in the county's
40 Educational Revenue Augmentation Fund resulting

~~1 from the implementation of subdivision (a) shall be
2 applied exclusively to reduce the amount of revenues
3 allocated from that fund to school districts and county
4 offices of education, and shall in no event be applied to
5 reduce the amount of revenues allocated from that fund
6 to community college districts.~~

~~7 SEC. 3. No reimbursement is required by this act
8 pursuant to Section 6 of Article XIII B of the California
9 Constitution because this act provides for offsetting
10 savings to local agencies or school districts that result in
11 no net costs to the local agencies or school districts, within
12 the meaning of Section 17556 of the Government Code.~~

~~13 Notwithstanding Section 17580 of the Government
14 Code, unless otherwise specified, the provisions of this act
15 shall become operative on the same date that the act
16 takes effect pursuant to the California Constitution.~~